

**MARQUETTE AREA PUBLIC SCHOOLS
MARQUETTE, MICHIGAN
FINANCIAL STATEMENTS
For the Year Ended June 30, 2007**

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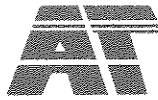
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ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE

WISCONSIN
GREEN BAY
MILWAUKEE

INDEPENDENT AUDITORS' REPORT

Board of Education
Marquette Area Public Schools
Marquette, MI 49855

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Marquette Area Public Schools, as of and for the year ended June 30, 2007, which collectively comprise the Marquette Area Public Schools basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Marquette Area Public Schools management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Marquette Area Public Schools as of June 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2007 on our consideration of the Marquette Area Public Schools' internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Education
Marquette Area Public Schools

The management's discussion and analysis and budgetary comparison information on pages 6 through 11 and 37 thru 38 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Marquette Area Public Schools' basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Marquette Area Public Schools. The combining and individual fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

September 12, 2007

Marquette Area Public Schools Management's Discussion and Analysis (Unaudited)

Our discussion and analysis of Marquette Area Public Schools financial performance provides an overview of the School District's financial activities for the year ended June 30, 2007. Please read it in conjunction with the financial statements, which begin on page 12.

FINANCIAL HIGHLIGHTS

- Net assets for Marquette Area Public Schools as a whole were reported at \$11,086,045, comprised of 100% governmental activities.
- During the year, Marquette Area Public Schools expenses were \$29,721,910, while revenues from all sources totaled \$31,993,772, resulting in an increase in net assets of \$2,271,862.
- There were no significant changes in programs for the 2006-2007 fiscal year. With declining enrollment and uncertain State funding, the School District remained essentially status quo.
- The general fund reported an increase of \$1,501,199 before other financing sources (uses). This is \$592,526 higher than the forecasted increase of \$908,673. This was a result of revenues being \$117,220 higher and expenses being \$475,306 lower than forecasted, both of which are immaterial when compared with budgeted revenues of \$29,389,589 and budgeted expenditures/transfers of \$32,238,929. There were no significant variances between the final budget and actual amounts.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Marquette Area Public Schools financially as a whole. The *District-wide Financial Statements* Statement of Net Assets and the Statement of Activities (on pages 12 and 13) provide information about the activities the School District as a whole and present a longer-term view of those finances. The fund financial statements present the next level of detail and start on page 14. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. The fund financial statements also report the School District's operations in more detail than the district-wide statements by providing information about the School District's most significant funds – the General Fund and Debt Service Fund, with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

Reporting the School District as a Whole – *District-wide Financial Statements*

Our analysis of the Marquette Area Public Schools as a whole begins on page 8. One of the most important questions asked about the School District's finances is "As a whole, what is the School District's financial condition as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the School District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private - sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in them. The School District's net assets – the difference between assets and liabilities – is one way to measure the School District's financial health, or financial position. Over time, increases or decreases in the School District's net assets – as reported in the Statement of Activities – are indicators of whether

Management's Discussion and Analysis (Unaudited) (Continued)

its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as private-sector companies do. One must consider other non-financial factors, such as the quality of education provided, the safety of the schools and the condition of the School District's capital assets, to assess the overall financial health of the School District.

The Statement of Net Assets and Statement of Activities report the governmental activities for the School District, which encompass all the School District's services, including instruction, supporting services, community services, athletics, and food services. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and Federal grants finance most of these activities.

Reporting the School District's Most Significant Funds – *Fund Financial Statements*

Our analysis of the School District's major funds begins on page 10. The fund financial statements begin on page 14 and provide detailed information on the most significant funds – not the School District as a whole. Some funds are required to be established by State law, and by bond covenants. However, the School District's Board has established other funds to help it control and manage money for particular purposes. The School District's two kinds of funds - *governmental* and *proprietary* – use different accounting methods.

- *Governmental funds* – Most of the School District's services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and Statement of Activities) and governmental funds in a reconciliation which follows the fund financial statements.
- *Proprietary funds* – When the School District charges customers for the services it provides – whether to outside customers or to other units of the School District – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. We use an internal service fund (the only component of the School District's proprietary funds) to report activities that provide services for the School District's other programs and activities – such as financing of early retirement incentive and unused sick leave reimbursement plan payments.

The School District as Trustee – Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

Management's Discussion and Analysis (Unaudited) (Continued)

The School District as a Whole

Table 1 provides a summary of the School District's net assets as of June 30, 2007 and 2006:

| Table 1 | | |
|---|--------------------------------|--------------------|
| Net Assets | | |
| | Governmental Activities | |
| | 2007 | 2006 |
| Current and other assets | \$14,699,162 | \$13,522,889 |
| Other noncurrent assets | 79,717 | 86,360 |
| Capital assets, net | 10,026,622 | 10,008,644 |
| Total Assets | 24,805,501 | 23,617,893 |
| Current liabilities | 4,406,219 | 4,541,372 |
| Long-term liabilities | 9,313,237 | 10,262,418 |
| Total Liabilities | 13,719,456 | 14,803,790 |
| Net Assets: | | |
| Invested in capital assets, net of related debt | 1,381,990 | 517,569 |
| Restricted | 336,026 | 246,829 |
| Unrestricted | 9,368,029 | 8,049,785 |
| Total Net Assets | \$11,086,045 | \$8,814,183 |

The School District's net assets were \$11,086,045 at June 30, 2007. Capital assets, net of related debt totaling \$1,381,990 compares the original cost, less depreciation of the School District's capital assets to long-term debt, used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net assets of \$9,368,029 was unrestricted.

The \$9,368,029 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal year 2007.

| Table 2 | | |
|--|--------------------------------|-------------------|
| Change in Net Assets | | |
| | Governmental Activities | |
| | 2007 | 2006 |
| Revenues | | |
| Program revenues: | | |
| Charges for services | \$1,050,175 | \$1,052,204 |
| Operating grants and contributions | 4,955,032 | 4,762,005 |
| General revenues: | | |
| Property taxes | 8,498,499 | 8,095,493 |
| State sources not restricted to specific program | 16,705,743 | 16,447,765 |
| Investment earnings | 636,305 | 470,706 |
| Miscellaneous | 148,018 | 54,927 |
| Total Revenues | 31,993,772 | 30,883,100 |

Management's Discussion and Analysis (Continued)

| | Governmental Activities | |
|-----------------------------------|-------------------------|--------------|
| | 2007 | 2006 |
| Program Expenses: | | |
| Instruction | \$16,857,477 | \$17,093,340 |
| Supporting services | 10,120,003 | 10,293,112 |
| Community services | 185,899 | 149,139 |
| Food service activities | 817,344 | 817,424 |
| Athletic activities | 526,359 | 540,832 |
| Interest on retirement of debt | 345,017 | 374,756 |
| Other | 139,071 | 15,522 |
| Depreciation - unallocated | 730,740 | 761,514 |
| Total Expenses | 29,721,910 | 30,045,639 |
| Increase (decrease) in net assets | 2,271,862 | 837,461 |
| Net assets, beginning | 8,814,183 | 7,976,722 |
| Net Assets, Ending | \$11,086,045 | \$8,814,183 |

As reported in the Statement of Activities, the cost of all of our governmental activities this year was \$29,721,910. Certain activities were partially funded from those who benefited from the programs \$1,050,175 or by other governments and organizations that subsidized certain programs with grants and categoricals \$4,955,032. We paid for the remaining "public benefit" portion of our governmental activities with \$8,498,499 in taxes, \$16,705,743 in State Foundation Allowance, and with our other revenues, such as interest and general entitlements.

The School District experienced an increase in net assets for the year of \$2,271,862.

Key reasons for the change in net assets were as follows:

- Net increase in governmental fund balances of \$1,310,057.
- Depreciation charged to expense of \$730,740.
- Lease Expense \$68,434.
- Purchase of capital assets in the amount of \$748,718.
- Proceeds from Debt Issue \$61,991.
- Net increase due to pay down of principal through the use of debt fund balance of \$840,000.
- Accrued interest on long-term debt included in expense \$3,150.
- Other miscellaneous transactions of \$94,234.

Table 3 presents the cost of each of the School District's largest activities as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the School District's operation.

| | Table 3 Governmental Activities | | | |
|-------------------------|------------------------------------|--------------|----------------------|--------------|
| | Total Cost of Services | | Net Cost of Services | |
| | 2007 | 2006 | 2007 | 2006 |
| Instruction | \$16,857,477 | \$17,093,340 | \$12,042,993 | \$12,474,610 |
| Supporting services | 10,120,003 | 10,293,112 | 10,115,023 | 10,274,686 |
| Community services | 185,899 | 149,139 | 117,360 | 87,797 |
| Food service activities | 817,344 | 817,424 | (50,760) | (20,945) |
| Athletic activities | 526,359 | 540,832 | 277,259 | 263,490 |

Management's Discussion and Analysis (Unaudited) (Continued)

Since property taxes for operations and unrestricted State aid constitute the vast majority of the School District's operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available financial resources.

The School District's Funds

As noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the School District completed the year, its governmental funds (as presented in the balance sheet on page 14) reported a combined fund balance of \$11,274,389, an increase of \$1,310,057 from the beginning of the year. This included a \$2,255,254 decrease in the General Fund fund balance, and an increase of \$3,565,311 in other funds fund balance.

General Fund Budgetary Highlights

Over the course of the year, the School District's Board revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

Changes to the General Fund original budget were as follows:

- Budgeted revenues were increased by \$1,505,722. The largest increases include additional interest income, additional foundation, allowance due to student enrollment, increased pass through funding from MARESA, and prior year adjustments from the State of Michigan.
- Budget expenditures were decreased by \$295,067 to reflect contract settlements and changes in healthcare throughout the year.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2007 and 2006, the School District had \$10,026,622 and \$10,008,644, respectively invested in a variety of capital assets including land, buildings, and machinery and equipment. (See table 4 below):

Table 4
Capital Assets at Year-End
(net of depreciation)

| | Governmental Activities | |
|--------------------|-------------------------|---------------------|
| | 2007 | 2006 |
| Land | \$822,392 | \$822,392 |
| Site improvements | 313,423 | 367,169 |
| Buildings | 7,832,347 | 7,742,710 |
| Equipment | 622,941 | 657,994 |
| Vehicles and buses | 435,519 | 418,379 |
| Totals | <u>\$10,026,622</u> | <u>\$10,008,644</u> |

This year's additions of \$779,835 included vehicles, cafeteria equipment, technology, building renovations, and buses). Additional debt was issued for some of these additions.

Management's Discussion and Analysis (Unaudited) (Continued)

We anticipate capital additions for the 2007-2008 fiscal year will be comparable to the 2006-2007 fiscal year. We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At June 30, 2007 and 2006, the School District had \$8,405,000 and \$9,838,538, respectively, in bonds outstanding as depicted in Table 5 below.

Table 5
Outstanding Debt at Year-End

| | Governmental Activities | |
|--------------------------|-------------------------|--------------------|
| | 2007 | 2006 |
| Installment loan | \$239,633 | \$246,075 |
| General obligation bonds | 8,405,000 | 9,245,000 |
| School improvement bonds | 347,463 | 347,463 |
| Totals | <u>\$8,992,096</u> | <u>\$9,838,538</u> |

We present more detailed information about our long-term debt in the notes to the financial statements.

Economic Factors and Next Year's Budgets

Our elected officials and administration consider many factors when setting the School District's fiscal year 2008 budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2008 fiscal year budget was adopted in June 2007, based on an estimate of students that will be enrolled in September 2007. Approximately 85 percent to 90 percent of total General Fund revenues is from the foundation allowance. Under State law, the School District cannot access additional property tax revenue for general obligations. As a result, the district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2007-2008 school year, we anticipate that the fall student count will be down nearly 30 students from the estimates used in creating the 2008 fiscal year budget. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget, if actual district resources are different from original appropriations.

During the 2006-2007 fiscal year, the School District expects to settle a labor contract with the Marquette Area Education Association (MAEA). The cumulative effect of a one-year settlement is estimated by the School District to be less than \$1,000,000.

The State budget continues to be an area of concern for local school districts. State revenues are falling short of projections, which could mean reduced funding at the local level.

Contacting the School District's Financial Management

This financial report is designated to provide the School District's citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Marquette Area Public Schools Central Administration, 1201 West Fair Ave. Marquette, Michigan, 49855.

Marquette Area Public Schools
Statement of Net Assets
June 30, 2007

| | Governmental Activities |
|--|------------------------------------|
| ASSETS: | |
| Current assets: | |
| Cash and cash equivalents | \$ 5,181,152 |
| Investments | 5,757,529 |
| Receivables: | |
| Accounts receivable | 54,775 |
| Delinquent property taxes | 22,323 |
| Due from others | 3,577,265 |
| Inventories | 5,963 |
| Prepaid expenditures | 100,155 |
| | <hr/> |
| TOTAL CURRENT ASSETS | 14,699,162 |
| | <hr/> |
| Noncurrent assets: | |
| Unamortized bond issue costs | 79,717 |
| Capital assets | 26,651,546 |
| Less accumulated depreciation | (16,624,924) |
| | <hr/> |
| TOTAL NONCURRENT ASSETS | 10,106,339 |
| | <hr/> |
| TOTAL ASSETS | 24,805,501 |
| | <hr/> |
| LIABILITIES: | |
| Current liabilities: | |
| Accounts payable | 307,322 |
| Accrued payroll and other liabilities | 2,594,759 |
| Due to others | 146,907 |
| Deferred revenue | 55,203 |
| Current portion of employee benefit obligations | 372,297 |
| Current portion of long term debt obligations | 928,547 |
| Other current liabilities | 1,184 |
| | <hr/> |
| TOTAL CURRENT LIABILITIES | 4,406,219 |
| | <hr/> |
| Noncurrent liabilities: | |
| Noncurrent portion of employee benefit obligations | 1,312,455 |
| Noncurrent portion of long term debt obligations | 8,063,548 |
| Less deferred discount on refunding bonds | (62,766) |
| | <hr/> |
| TOTAL NONCURRENT LIABILITIES | 9,313,237 |
| | <hr/> |
| TOTAL LIABILITIES | 13,719,456 |
| | <hr/> |
| NET ASSETS: | |
| Invested in capital assets net of related debt | 1,381,990 |
| Restricted: | |
| Debt Service | 336,026 |
| Unrestricted | 9,368,029 |
| | <hr/> |
| TOTAL NET ASSETS | \$ 11,086,045 |
| | <hr/> |

See Notes to Financial Statements.

**Marquette Area Public Schools
Statement of Activities
For the Year Ended June 30, 2007**

| Function / Programs | Expenses | Program Revenue | | Net (Expense) Revenue and Changes in Net Assets |
|---|-------------------|-------------------------|--|--|
| | | Charges for Services | Operating Grants and Contributions | |
| Governmental Activities: | | | | |
| Instruction | \$ 16,857,477 | \$ 238,663 | \$ 4,575,821 | \$ (12,042,993) |
| Supporting services | 10,120,003 | - | 4,980 | (10,115,023) |
| Community services | 185,899 | 68,539 | - | (117,360) |
| Food service activities | 817,344 | 493,873 | 374,231 | 50,760 |
| Athletic activities | 526,359 | 249,100 | - | (277,259) |
| Other | 139,071 | - | - | (139,071) |
| Interest on retirement of debt | 345,017 | - | - | (345,017) |
| Depreciation- unallocated | 730,740 | - | - | (730,740) |
| TOTAL GOVERNMENTAL ACTIVITIES | 29,721,910 | 1,050,175 | 4,955,032 | (23,716,703) |
| General revenues: | | | | |
| Taxes | | | | |
| Property taxes, levied for general purposes | | | | 7,272,124 |
| Property taxes, levied for debt services | | | | 1,226,375 |
| State aid not restricted to specific purposes | | | | |
| General | | | | 16,705,743 |
| Interest and investment earnings | | | | 636,305 |
| Miscellaneous | | | | 148,018 |
| TOTAL GENERAL REVENUES AND TRANSFERS | | | | 25,988,565 |
| | | | | CHANGES IN NET ASSETS |
| | | | | 2,271,862 |
| Net Assets , July 1 | | | | 8,814,183 |
| | | | | NET ASSETS, JUNE 30 |
| | | | | \$ 11,086,045 |

See Notes to Financial Statements.

**Marquette Area Public Schools
Governmental Funds
Balance Sheet
June 30, 2007**

| | General Fund | Capital Projects Fund | Other Nonmajor Governmental Funds | Total |
|--|---------------------|--------------------------|--|----------------------|
| ASSETS: | | | | |
| Cash and cash equivalents | \$ 4,598,630 | \$ - | \$ 582,522 | \$ 5,181,152 |
| Investments | 1,092,033 | 4,318,085 | - | 5,410,118 |
| Receivables: | | | | |
| Accounts receivable | 46,743 | - | 7,987 | 54,730 |
| Delinquent property taxes | 22,323 | - | - | 22,323 |
| Due from others | 3,569,145 | - | 8,120 | 3,577,265 |
| Due from other funds | 4,078 | - | 15 | 4,093 |
| Prepaid Expenses | 100,155 | - | - | 100,155 |
| Inventories | - | - | 5,963 | 5,963 |
| TOTAL ASSETS | \$ 9,433,107 | \$ 4,318,085 | \$ 604,607 | \$ 14,355,799 |
| LIABILITIES AND FUND BALANCES: | | | | |
| LIABILITIES: | | | | |
| Accounts payable | \$ 301,286 | \$ - | \$ 6,036 | \$ 307,322 |
| Accrued liabilities | 2,528,683 | - | 13,177 | 2,541,860 |
| Due to others | 113,746 | - | 33,161 | 146,907 |
| Due to other funds | 24,886 | - | 4,048 | 28,934 |
| Deferred revenue | 55,203 | - | - | 55,203 |
| Other liabilities | 1,184 | - | - | 1,184 |
| TOTAL LIABILITIES | 3,024,988 | - | 56,422 | 3,081,410 |
| FUND BALANCES: | | | | |
| Reserved for: | | | | |
| Capital projects | - | 4,318,085 | - | 4,318,085 |
| Retirement of debt | - | - | 336,026 | 336,026 |
| School lunch | - | - | 212,159 | 212,159 |
| Unreserved: | | | | |
| Designated for contingencies | 3,000,000 | - | - | 3,000,000 |
| Undesignated | 3,408,119 | - | - | 3,408,119 |
| TOTAL FUND BALANCES | 6,408,119 | 4,318,085 | 548,185 | 11,274,389 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 9,433,107 | \$ 4,318,085 | \$ 604,607 | \$ 14,355,799 |

See Notes to Financial Statements.

**Marquette Area Public Schools
Governmental Funds
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2007**

Total Fund Balances for Governmental Funds **\$ 11,274,389**

*Amounts reported for governmental activities in the statement
of net assets are different because:*

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds.

| | | |
|--------------------------|---------------------|------------|
| Cost of capital assets | 26,651,546 | |
| Accumulated depreciation | <u>(16,624,924)</u> | 10,026,622 |

Unamortized bond issue costs are not financial resources
and therefore are not reported in the funds. 79,717

Long-term liabilities are not due and payable in the current period and are
not reported in the funds. Long-term liabilities at year-end consist of:

| | | |
|--|-----------------|---------------------|
| Bonds & Loans payable | 8,992,095 | |
| Accrued interest on bonds | 52,899 | |
| Employee benefits payable (other than those reported in internal service fund) | 1,312,455 | |
| Deferred discount on refunding bonds | <u>(62,766)</u> | <u>(10,294,683)</u> |

NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ 11,086,045**

See Notes to Financial Statements.

**Marquette Area Public Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2007**

| | General Fund | Capital Projects Fund | Other Nonmajor Governmental Funds | Total |
|---|---------------------|-----------------------------|--|----------------------|
| REVENUES: | | | | |
| Taxes and penalties | \$ 7,231,801 | \$ - | \$ 1,226,375 | \$ 8,458,176 |
| Federal sources | 777,420 | - | 325,234 | 1,102,654 |
| State aid | 18,787,978 | - | 48,997 | 18,836,975 |
| Local sources | 521,995 | - | - | 521,995 |
| Interest | 510,047 | - | 52,825 | 562,872 |
| Intermediate sources | 1,677,568 | - | - | 1,677,568 |
| Other | - | 83,433 | 750,099 | 833,532 |
| TOTAL REVENUES | 29,506,809 | 83,433 | 2,403,530 | 31,993,772 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Instruction | 17,015,018 | - | - | 17,015,018 |
| Supporting services | 10,317,320 | - | - | 10,317,320 |
| Community services | 185,899 | - | - | 185,899 |
| Food service activities | - | - | 830,744 | 830,744 |
| Athletic activities | - | - | 526,359 | 526,359 |
| Debt Service: | | | | |
| Principal | - | - | 840,000 | 840,000 |
| Interest | - | - | 336,294 | 336,294 |
| Other | 487,373 | 136,140 | 8,568 | 632,081 |
| TOTAL EXPENDITURES | 28,005,610 | 136,140 | 2,541,965 | 30,683,715 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 1,501,199 | (52,707) | (138,435) | 1,310,057 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Operating transfers in | - | 3,479,194 | 277,259 | 3,756,453 |
| Operating transfers out | (3,756,453) | - | - | (3,756,453) |
| TOTAL OTHER FINANCING SOURCES (USES) | (3,756,453) | 3,479,194 | 277,259 | - |
| NET CHANGE IN FUND BALANCES | (2,255,254) | 3,426,487 | 138,824 | 1,310,057 |
| Fund Balance, July 1 | 8,663,373 | 891,598 | 409,361 | 9,964,332 |
| FUND BALANCE, JUNE 30 | \$ 6,408,119 | \$ 4,318,085 | \$ 548,185 | \$ 11,274,389 |

See Notes to Financial Statements.

**Marquette Area Public Schools
Governmental Funds
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures
and Changes in Fund Balance to the Statement of Activities
For the Year Ended June 30, 2007**

Net Change in Fund Balances - Total Governmental Funds **\$ 1,310,057**

*Amounts reported for governmental activities in the statement
of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

| | | |
|-------------------------------------|------------------|--------|
| Depreciation expense | 730,740 | |
| Lease expense | (68,434) | |
| Capital outlays, net of retirements | <u>(748,718)</u> | 86,412 |

Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net assets. (61,991)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 840,000

Unamortized bond issue costs and the deferred discount are reported as expenditures in the governmental funds. However, for governmental activities those costs are shown in the statement of net assets and amortized over the life of the bond issuance as annual interest and other costs in the statement of activities. (11,873)

Interest on long-term debt is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount of accrued interest recognized in the statement of activities. 3,150

Some expense reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 106,107

| | | |
|--|--|----------------------------|
| Change in Net Assets of Governmental Activities | | <u>\$ 2,271,862</u> |
|--|--|----------------------------|

See Notes to Financial Statements.

**Marquette Area Public Schools
Proprietary Funds
Statement of Net Assets
June 30, 2007**

| | <u>Governmental Activities</u> <u>Internal Service Fund</u> |
|--------------------------------|--|
| ASSETS: | |
| Current Assets: | |
| Investments | \$ 347,411 |
| Due from other funds | 24,886 |
| TOTAL ASSETS | <u><u>\$ 372,297</u></u> |
| LIABILITIES: | |
| Noncurrent Liabilities: | |
| Due to other funds | \$ - |
| Employee benefits payable | 372,297 |
| TOTAL LIABILITIES | <u><u>\$ 372,297</u></u> |
| NET ASSETS: | |
| Unrestricted | - |
| TOTAL NET ASSETS | <u><u>\$ -</u></u> |

See Notes to Financial Statements.

Marquette Area Public Schools
Proprietary Funds
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2007

| | <u>Governmental Activities</u> <u>Internal Service Fund</u> |
|--|--|
| OPERATING REVENUES: | |
| Other revenue for services | \$ 94,316 |
| TOTAL OPERATING REVENUES | <u>94,316</u> |
| OPERATING EXPENSES: | |
| Employee Benefits: | |
| Terminal leave | 104,706 |
| FICA | 8,010 |
| TOTAL OPERATING EXPENSES | <u>112,716</u> |
| OPERATING INCOME (LOSS) | (18,400) |
| NON-OPERATING REVENUES (EXPENSES): | |
| Interest income | 18,400 |
| TOTAL NON-OPERATING REVENUES (EXPENSES) | <u>18,400</u> |
| CHANGE IN NET ASSETS | - |
| Net Assets, July 1 | <u>-</u> |
| NET ASSETS, JUNE 30 | <u><u>\$ -</u></u> |

See Notes to Financial Statements.

**Marquette Area Public Schools
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2007**

| | Internal Service Fund |
|--|----------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Operating income (loss) | \$ (18,400) |
| Changes in Assets and Liabilities: | |
| Increase (decrease) in liabilities: | |
| Employee benefits payable: | |
| Obligations incurred | 112,716 |
| Payments made | (202,130) |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>(107,814)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | |
| Operating transfers in | - |
| NET CASH PROVIDED (USED) FOR NONCAPITAL FINANCING ACTIVITIES | <u>-</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | |
| Interest income | 18,400 |
| NET CASH PROVIDED (USED) FOR CAPITAL AND RELATED FINANCING ACTIVITIES | <u>18,400</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (89,414) |
| Cash and cash equivalents, July 1 | <u>436,825</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u><u>\$ 347,411</u></u> |

See Notes to Financial Statements.

**Marquette Area Public Schools
Fiduciary Funds
Statement of Fiduciary Net Assets
June 30, 2007**

| | Private-Purpose Trust | Student Activity Agency Fund |
|---|--------------------------|---------------------------------|
| | <hr/> | <hr/> |
| ASSETS: | | |
| Cash and equivalents | \$ 107,293 | \$ 313,047 |
| Investments - certificates of deposit | 205,495 | - |
| Accounts receivable | 319 | 3,065 |
| | <hr/> | <hr/> |
| TOTAL ASSETS | <u>313,107</u> | <u>\$ 316,112</u> |
| | <hr/> | <hr/> |
| LIABILITIES: | | |
| Accounts payable | - | \$ 8,261 |
| Due to other governmental units | | 382 |
| Due to other funds | - | 45 |
| Due to groups, organizations and activities | - | 307,424 |
| | <hr/> | <hr/> |
| TOTAL LIABILITIES | <u>-</u> | <u>316,112</u> |
| | <hr/> | <hr/> |
| NET ASSETS: | | |
| Reserved for scholarships | 313,107 | - |
| | <hr/> | <hr/> |
| TOTAL NET ASSETS | <u>\$ 313,107</u> | <u>\$ 316,112</u> |
| | <hr/> | <hr/> |

See Notes to Financial Statements.

Marquette Area Public Schools
Fiduciary Fund
Statement of Changes in Fiduciary Net Assets
For the Year Ended June 30, 2007

| | <u>Private-Purpose Trust</u> |
|-------------------------------|------------------------------|
| ADDITIONS: | |
| Private sources contributions | \$ 111,750 |
| Interest | <u>19,543</u> |
| TOTAL ADDITIONS | <u>131,293</u> |
| DEDUCTIONS: | |
| Scholarships awarded | <u>111,100</u> |
| TOTAL DEDUCTIONS | <u>111,100</u> |
| CHANGE IN NET ASSETS | 20,193 |
| Net assets, July 1 | <u>292,914</u> |
| NET ASSETS, JUNE 30 | <u><u>\$ 313,107</u></u> |

See Notes to Financial Statements.

MARQUETTE AREA PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE A - THE FINANCIAL REPORTING ENTITY:

The Marquette Area Public School District covers an area of 123 square miles and serves a population of approximately 31,000. During fiscal 2007 public education was provided to over 4,000 students in grades Kindergarten through 12. The educational sites include four elementary schools, two middle schools, and one high school.

The School District operates under an elected Board of Education of seven (7) members, which are elected across the District to establish programs and policies.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the financial position of the Marquette Area Public Schools, Marquette County. The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

Based upon the application of these criteria, the financial statements of the Marquette Area Public Schools contain all the funds controlled by the School District's Board of Education as no other entity meets the criteria to be considered a component unit of the School District nor is the School District a component unit of another entity.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the School District conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

BASIS OF PRESENTATION

District-Wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the School District as a whole. They include all funds of the School District except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through State sources, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. All of the School District's district-wide activities are considered to be governmental activities.

Fund Financial Statements:

The accounts of the School District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report into two major categories: governmental and proprietary categories. An emphasis is placed on major funds within the governmental and proprietary categories. The General Fund is always

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

considered a major fund and the remaining funds of the School District are considered major if they meet the following criteria:

- a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The School District reports the General Fund as its major governmental fund in accordance with the above criteria. The funds of the School District are described below:

Governmental Funds

General Fund – The General Fund is the main operating fund and accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including major capital projects). The special revenue funds for the Marquette Area Public Schools are the Food Service and Athletics funds.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources such as taxes, state aid and interest revenue for the payment of general long-term debt principal, interest, and related costs.

Capital Projects Fund – Capital Projects Funds are used to record bond proceeds or other revenue to be used for the acquisition or construction of major capital facilities or other capital assets, including equipment.

Proprietary Funds

Internal Service Fund - Internal Service funds are used in significant part for financing of early retirement incentive and unused sick leave reimbursement plan payments

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the district-wide Statement of Net Assets and the Statement of Activities, governmental activities are presented using the economic resource measurement focus as defined in item (b) below. In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable resources at the end of the period.
- b. The proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position and cash flows. All assets and liabilities, whether current or noncurrent, associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the district-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Also, the proprietary fund financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Expenditures, including capital outlay, are recorded when the related liability is incurred, except for principal and interest on general long-term debt and accrued compensated absences, which are reported when due.

Cash and Equivalents

The School District cash and cash equivalents as reported in the Statement of Cash Flows and the Statement of Net Assets are considered to be cash on hand, demand deposits, certificates of deposit and short-term investments with maturities of three months or less.

Investments

Investments are carried at market value.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Due From and To Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Inventory

The School District utilizes the consumption method of recording inventories of materials and food supplies. Under the consumption method, inventories are recorded as expenditures when they are used. The inventory is valued at the lower of cost (first-in, first-out) or market.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Capital Assets

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and any assets susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure-type assets.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

| | |
|-------------------------------|-------------|
| Buildings and additions | 20-50 years |
| Buses and other vehicles | 5-10 years |
| Furniture and other equipment | 5-10 years |

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the district-wide financial statements.

Long-Term Debt

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the district-wide statements.

Compensated Absences

The School District's policies regarding compensated absences permits employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term debt in the district-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while proprietary funds report the liability as it is incurred.

Deferred Revenues

In the district-wide statements and proprietary fund financial statements, deferred revenue is recognized when cash, receivables or other assets are received prior to their being earned. In the governmental fund statements, deferred revenue is recognized when revenue is unearned or unavailable. The School District has reported deferred revenue of \$55,203 in the General Fund for grant funding that has been received but is unearned.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Equity Classification

District-Wide Statements

Equity is classified as net assets and displayed in three components:

1. Invested in Capital Assets, Net of Related Debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
2. Restricted Net Assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions of enabling legislation.
3. Unrestricted Net Assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated, if appropriate. Proprietary fund equity is classified the same as in the district-wide statements.

Revenues

District-Wide Statements

In the district-wide Statement of Activities, revenues are segregated by activity (governmental or business-type), and are classified as either a program revenue or a general revenue. Program revenues include charges to customers or applicants for goods or services, operating grants and contributions and capital grants and contributions. General revenues include all revenues, which do not meet the criteria of program revenues and include revenues such as State funding and interest earnings.

Fund Statements

In the governmental fund statements, revenues are reported by source, such as federal sources, state sources and charges for services. Revenues consist of general purpose revenues and restricted revenues. General purpose revenues are available to fund any activity reported in that fund, while restricted revenues are available for a specific purpose or activity and the restrictions are typically required by law or a grantor agency. When both general purpose and restricted revenues are available for use, it is the School District's policy to use the restricted resources first.

Property Taxes

Property taxes are levied on July 1 and December 1, on behalf of the District by various taxing units and are payable without penalty by September 30 and February 28. The District recognizes property tax revenue when levied to the extent they result in current receivables (collected within sixty days of the end of the fiscal year). Property taxes that are not collected within sixty days of the end of the fiscal year are recognized as revenue when collected.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Expenses/Expenditures

District-Wide Statements

In the district-wide Statement of Activities, expenses are segregated by activity (governmental or business-type), and are classified by function.

Fund Statements

In the governmental fund financial statements, expenditures are classified by character such as current operations, debt service and capital outlay.

In the proprietary fund financial statements, expenses are classified by operating and nonoperating and are sub-classified by function such as personnel services and other services and charges.

OTHER SIGNIFICANT ACCOUNTING POLICIES

Interfund Activity

As a general rule, the effect of interfund activity has been eliminated from the district-wide statements. Exceptions to this rule are (1) activities between funds reported as governmental activities and funds reported as business-type activities; and (2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct cost and program revenues for the functions concerned.

In the fund financial statements, transfers represent flows of assets between funds without equivalent flows of assets in return or a requirement for repayment.

Interfund receivables and payables have been eliminated from the Statement of Net Assets.

Budgets and Budgetary Accounting

The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is approved by the Board of Education.
- d. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Board of Education.
- e. All annual appropriations lapse at fiscal year end.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE C – DEPOSITS AND INVESTMENTS:

Cash Equivalents

As of June 30, 2007, the District's cash and cash equivalents and investments were reported in the basic financial statements in the following categories:

| | Governmental Activities | Fiduciary Funds | Total Primary Government |
|----------------------|----------------------------|--------------------|-----------------------------|
| Cash and equivalents | \$5,181,152 | \$625,835 | \$5,806,987 |
| Investments | 5,757,529 | - | 5,757,529 |
| | <u>\$10,938,681</u> | <u>\$625,835</u> | <u>\$11,564,516</u> |

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State law does not require and the District does not have a deposit policy for custodial credit risk. As of June 30, 2007, \$5,564,134 of the District's bank balance of \$5,667,652 was exposed to custodial credit risk as being uninsured and uncollateralized.

Investments

As of June 30, 2007, the District had the following investments.

| Investment Type | Fair Value | Investment Maturities Less than 1 year |
|---|--------------------|---|
| Michigan Liquid Asset Fund – Mutual Bonds | <u>\$5,757,529</u> | <u>\$5,757,529</u> |

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the District's investments. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Michigan statutes authorize the District to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

The District has no investment policy that would further limit its investment choices and has no investments for which ratings are required. The District's investments are in accordance with statutory authority.

NOTE D – DUE FROM OTHER GOVERNMENTAL UNITS:

Amounts due from other governments consist of \$3,106,986 due from the State of Michigan for State Aid, and \$470,279 due from other governmental units for the operation of special programs and grant projects.

NOTE E – FUND MODIFICATIONS (TRANSFER TO/FROM OTHER FUNDS):

Marquette Area Public Schools reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds. Interfund transactions resulting in interfund receivables and payables are as follows:

| | Receivable | | Payable |
|-----------------------|-----------------|-----------------------|-----------------|
| General Fund | \$4,078 | Athletic Fund | \$4,048 |
| School Service Fund | 15 | Student Activity Fund | 45 |
| Internal Service Fund | 24,886 | General Fund | 24,886 |
| Total | <u>\$28,979</u> | Total | <u>\$28,979</u> |

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

A summary of operating transfers to/from other funds during fiscal year 2007 is as follows:

| | Operating Transfers In | | Operating Transfers Out |
|-----------------------|---------------------------|--------------|----------------------------|
| Athletic Fund | \$277,259 | General Fund | \$3,756,453 |
| Capital Projects Fund | 3,479,194 | | |
| | <u>\$3,756,453</u> | | <u>\$3,756,453</u> |

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) moves receipts restricted to Debt Service from the funds collecting the receipts to the Debt Service Fund as debt service payments become due, and (3) use unrestricted revenue collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE F – ACCRUED LIABILITIES:

A summary of accrued liabilities at June 30, 2007 is as follows:

| | Governmental Activities |
|------------------|-------------------------|
| Accrued wages | \$1,516,807 |
| MESSA payable | 638,837 |
| Accrued fringes | 386,216 |
| Accrued interest | 52,899 |
| | <u>\$2,594,759</u> |

NOTE G – LONG-TERM OBLIGATIONS:

A summary of long-term obligations at June 30, 2007, and transactions related thereto for the year then ended is as follows:

| | Balance July 1, 2006 | Additions | Reductions | Balance June 30, 2007 |
|--|-------------------------|-----------------|--------------------|--------------------------|
| School Improvement Bonds, Series 1998, due in annual installments of \$29,000 to \$54,000 through 2013 with interest of 8.00%. The only source of revenues for making the debt service payments on these bonds is an annual state appropriation. | \$347,463 | \$- | \$- | \$347,463 |
| Installment loan contract, due in annual installments of \$20,980 including interest at 3.92% through August 2008. | 58,312 | - | 18,695 | 39,617 |
| Installment loan contract due in annual installments of \$21,928 including interest at 12% through July 2009 | 78,779 | - | 18,430 | 60,349 |
| Installment loan contract due in annual installments of \$25,165 including interest at 5.0% through July 2010 | 108,984 | - | 19,727 | 89,257 |
| Installment loan contract due in annual installments of \$23,165 including interest at 4.81% through November 2011 | - | 61,993 | 11,582 | 50,411 |
| 2003 Refunding Issue Serial Bonds, due in annual installments of \$500,000 to \$885,000 through 2020 with interest of 2.0% to 4.35% | 9,245,000 | - | 840,000 | 8,405,000 |
| Subtotal | 9,838,538 | 61,993 | 908,434 | 8,992,096 |
| Employee benefits – terminal leave | 1,418,562 | - | 106,107 | 1,312,455 |
| TOTAL LONG-TERM DEBT | \$11,257,100 | \$61,993 | \$1,014,541 | \$10,304,551 |

Debt Service Requirements

The annual requirements to pay principal and interest based on debt outstanding at June 30, 2007 (exclusive of employee benefits) are as follows:

| Fiscal Year | Principal | Interest | Total |
|---------------|--------------------|--------------------|---------------------|
| 2008 | \$928,547 | \$328,504 | \$1,257,051 |
| 2009 | 1,156,757 | 377,141 | 1,533,898 |
| 2010 | 953,193 | 276,849 | 1,230,042 |
| 2011 | 900,454 | 242,385 | 1,142,839 |
| 2012 | 833,702 | 209,921 | 1,043,623 |
| 2013-2017 | 3,199,443 | 602,462 | 3,801,905 |
| 2018-2021 | 1,020,000 | 84,152 | 1,104,152 |
| TOTALS | \$8,992,096 | \$2,121,414 | \$11,113,510 |

NOTE H – LONG-TERM OBLIGATIONS:

Employee Benefits

The School District accrues the liability for earned sick leave based on the vesting method. The liability is accrued as benefits are earned if it is probable that the District will compensate the employees conditioned upon retirement. The current labor agreements stipulate sick leave must be taken in order to be paid, except at retirement at which time 100% of the unused accumulated sick days up to a maximum of two hundred are converted to terminal leave pay. The District has provided early retirement incentives. Employee benefits payable are recorded in the financial statements as follows:

| | Internal Service Fund | Other | Total Governmental Activities |
|-------------------------|--------------------------|--------------------|----------------------------------|
| Employee Severance Plan | \$38,290 | \$- | \$38,290 |
| Sick Leave | 334,007 | 1,312,455 | \$1,646,462 |
| | <u>\$372,297</u> | <u>\$1,312,455</u> | <u>\$1,684,752</u> |

NOTE I – CAPITAL ASSETS:

Capital assets activity of the School District's governmental activities was as follows:

| | Balance June 30, 2006 | Additions | Reductions | Balance June 30, 2007 |
|---|--------------------------|-----------------|-----------------|--------------------------|
| Governmental Activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$822,392 | \$- | \$- | \$822,392 |
| Capital assets being depreciated: | | | | |
| Site improvements | 1,685,662 | 53,310 | - | 1,738,972 |
| Buildings | 18,955,254 | 478,608 | - | 19,433,862 |
| Equipment | 3,076,505 | 123,931 | 229,233 | 2,971,203 |
| Vehicles and buses | 1,847,676 | 123,986 | 286,545 | 1,685,117 |
| Total Capital Assets | <u>26,387,489</u> | <u>779,835</u> | <u>515,778</u> | <u>26,651,546</u> |
| Capital assets being depreciated: | | | | |
| Site improvements | 1,318,493 | 107,056 | - | 1,425,549 |
| Buildings | 11,212,544 | 388,971 | - | 11,601,515 |
| Equipment | 2,418,511 | 127,866 | 198,115 | 2,348,262 |
| Vehicles and buses | 1,429,297 | 106,847 | 286,546 | 1,249,598 |
| Total Accumulated Depreciation | <u>16,378,845</u> | <u>730,740</u> | <u>484,661</u> | <u>16,624,924</u> |
| Governmental Activities Capital Assets, Net | <u>\$10,008,644</u> | <u>\$49,095</u> | <u>\$31,117</u> | <u>\$10,026,622</u> |

Depreciation expense was charged to unallocated activities in the amount of \$730,740.

NOTE I – RESERVED AND DESIGNATED FUND EQUITY:

The School District reserves fund equities for the following funds:

General Fund – The School district designated \$3,000,000 which represents a contingency fund for future operational needs.

School Lunch Fund – The resources of the School Lunch Fund are to be used for the school lunch program. The fund equity is reserved for this purpose.

NOTE I – RESERVED AND DESIGNATED FUND EQUITY (Continued):

Debt Service Funds – The resources of the Debt Service Funds have been accumulated for the specific purpose of bond and interest debt retirement. The fund equities are reserved for these purposes.

Capital Project Fund – The resources of the Building & Site Fund are to be used for capital outlay projects. The fund equity is reserved for this purpose.

Expendable Trust Fund – The resources of the Expendable Trust Fund are to be used for the granting of scholarships and awards to qualified students.

NOTE J – STATE REVENUE:

The State of Michigan currently uses a foundation grant approach which provides for a specific annual amount of revenue per student based on a state wide formula. The foundation is funded from state and local sources. Revenue from state sources is primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2007, the foundation allowance was based on the weighted average of pupil membership counts taken in February and October of 2006.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period (currently the fiscal year) and is funded through 11 payments from October 2006 – August 2007.

The School District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as deferred revenue.

NOTE K – NONMONETARY TRANSACTIONS:

The School District receives USDA donated food commodities for use in its food service program which are accounted for in the School Lunch Fund. The commodities are accounted for on the modified accrual basis and the related revenues and expenditures are recognized as commodities as utilized. The School District recognized \$33,907 during fiscal 2007 in revenues and expenditures for USDA commodities.

NOTE L – PROPERTY TAXES:

The taxable value of real and personal property located in the School District at December 31, 2006 totaled \$813,980,213 (\$410,679,465 designated as Homestead and \$403,300,748 designated as Non-Homestead). The total tax levy consists of 18 mills for the General Fund and 1.5 mills for debt retirement.

NOTE M – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN:

Substantially all of the School District's employees are eligible to participate in the statewide Michigan Public School Employees' Retirement System (MPERS), a multiple-employer, cost-sharing public employee retirement system. Effective January 1, 1987, Act 91 of the Public Acts of 1985 established a voluntary contribution to the Member Investment plan (MIP). Employees first hired before January 1, 1990, made a one-time irrevocable election to contribute to the tax deferred MIP. Employees first hired on or after January 1, 1990 will automatically be included in MIP.

NOTE M – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN (Continued):

Members in MIP may retire at any age after attaining thirty years of creditable service or at age sixty while still working with a minimum total of five years of creditable service and with credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is calculated using a formula of 1.5% of the average of the highest total earnings during a period of thirty-six consecutive calendar months (three years) multiplied by total years to the nearest tenth of a year of credited service.

Employees who did not elect the MIP option fall under the MPSERS Basic Plan and may retire after attaining age sixty with ten or more years of credited service; or with thirty or more years of credited service; or attaining age fifty-five while still working at least fifteen but fewer than thirty years of credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date.

The retirement allowance is computed using a formula of 1.5% of the average of the highest total earnings during a period of sixty consecutive months (five years) multiplied by the total years to the nearest tenth of a year of credited service.

The MPSERS also provides death, disability, health, medical, dental, vision and hearing insurance coverage. Benefits are established by state statute.

The District was required by state statute to contribute 16.34% of covered compensation to the Plan through September 30, 2006 and 17.74% of covered compensation for the remainder of the year. The total amount contributed to the Plan for the year ended June 30, 2007 was \$3,336,270 which consisted of \$2,835,543 from the School District and \$500,727 from employees electing the MIP option. These represent approximately 16% and 3% of covered payroll, respectively. The School District's contributions to MPSERS for 2006 were \$2,572,942 and for 2005 was \$2,827,332.

Payroll paid to employees covered by the System for the year ended June 30, 2007 was approximately \$16,263,181. The School District's total payroll was approximately \$16,368,326.

Other Post-Employment Benefits

In addition to pension benefits, MPSERS provides comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension of the retiree. The portion provided by MPSERS is factored into the pension contribution rate.

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan. MPSERS' issues a publicly available financial report that includes financial statements and required supplementary information for the system. More information may be obtained by writing MPSERS, at MPSERS, P.O. Box 30673, Lansing, Michigan, 48909-8103.

NOTE N – CONTINGENT LIABILITIES:

Grant Assistance

The School District has received significant assistance from federal and state agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the School District.

NOTE N – CONTINGENT LIABILITIES (Continued):

Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The School District was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The School District joined together with other units and created a public entity risk pool currently operating as a common risk management and insurance program. The School District pays an annual premium to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$500,000 for each insured event.

The School District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The School District is unable to provide an estimate of the amounts of additional assessments that may be required to make the pool self-sustaining.

NOTE O – ECONOMIC DEPENDENCY:

The School District received approximately 62 percent of its revenue through state and federal sources to be used for providing elementary and secondary education for the residents of Marquette. The District's Foundation Allowance is set by the state and includes the local contribution from Non Homestead taxes. Increases in the local Non Homestead property tax revenues are offset by a corresponding decrease in state aid on a per pupil basis.

REQUIRED SUPPLEMENTAL INFORMATION

**Marquette Area Public Schools
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2007**

| | Budgeted Amounts | | Actual (GAAP Basis) | Variances Positive (Negative) | |
|--|-------------------------|---------------------|------------------------------------|--|----------------------------|
| | Original | Final | | Original to Final | Final to Actual |
| REVENUES: | | | | | |
| Local sources | \$ 7,915,832 | \$ 8,189,753 | \$ 8,263,843 | \$ 273,921 | \$ 74,090 |
| State sources | 17,922,396 | 18,750,328 | 18,787,978 | 827,932 | 37,650 |
| Federal sources | 873,568 | 833,653 | 777,420 | (39,915) | (56,233) |
| Other governmental units | 1,172,071 | 1,615,855 | 1,677,568 | 443,784 | 61,713 |
| TOTAL REVENUES | 27,883,867 | 29,389,589 | 29,506,809 | 1,505,722 | 117,220 |
| EXPENDITURES: | | | | | |
| Instruction: | | | | | |
| Basic Programs | 13,763,571 | 13,564,457 | 13,276,322 | 199,114 | 288,135 |
| Added Needs | 4,037,925 | 3,762,203 | 3,731,069 | 275,722 | 31,134 |
| Adult/Continuing education | 10,877 | 10,293 | 7,627 | 584 | 2,666 |
| Total Instruction | 17,812,373 | 17,336,953 | 17,015,018 | 475,420 | 321,935 |
| Supporting Services: | | | | | |
| Pupil services | 2,236,108 | 2,344,857 | 2,304,439 | (108,749) | 40,418 |
| Instructional staff | 799,578 | 867,700 | 810,827 | (68,122) | 56,873 |
| General administration | 596,814 | 599,893 | 573,695 | (3,079) | 26,198 |
| School administration | 1,547,920 | 1,555,584 | 1,546,647 | (7,664) | 8,937 |
| Business services | 276,371 | 288,747 | 285,837 | (12,376) | 2,910 |
| Operation and maintenance | 2,739,056 | 2,619,632 | 2,628,605 | 119,424 | (8,973) |
| Pupil transportation | 1,297,314 | 1,238,709 | 1,261,006 | 58,605 | (22,297) |
| Central staff | 793,752 | 843,823 | 809,453 | (50,071) | 34,370 |
| Other | 93,306 | 99,709 | 96,811 | (6,403) | 2,898 |
| Total Supporting services | 10,380,219 | 10,458,654 | 10,317,320 | (78,435) | 141,334 |
| Community Services | | | | | |
| Recreation/Community Activities | 233,391 | 190,336 | 185,899 | 43,055 | 4,437 |
| Total Community services | 233,391 | 190,336 | 185,899 | 43,055 | 4,437 |
| Pymts. To Other Gov't./Facilities Acquisition: | | | | | |
| Facilities Acquisition | 350,000 | 414,948 | 407,348 | (64,948) | 7,600 |
| Payments to Other Gov't. Units | - | 80,025 | 80,025 | (80,025) | - |
| Total Pymts./Facilities Acquisition | 350,000 | 494,973 | 487,373 | (144,973) | 7,600 |
| TOTAL EXPENDITURES | 28,775,983 | 28,480,916 | 28,005,610 | 295,067 | 475,306 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (892,116) | 908,673 | 1,501,199 | 1,800,789 | 592,526 |
| OTHER FINANCING SOURCES | | | | | |
| Operating transfers out | (305,755) | (3,758,013) | (3,756,453) | (3,452,258) | 1,560 |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | (1,197,871) | (2,849,340) | (2,255,254) | (1,651,469) | 594,086 |
| FUND BALANCE, JULY 1 | 8,009,952 | 8,663,373 | 8,663,373 | 653,421 | - |
| FUND BALANCE, JUNE 30 | \$ 6,812,081 | \$ 5,814,033 | \$ 6,408,119 | \$ (998,048) | \$ 594,086 |

**Marquette Area Public Schools
Budgetary Comparison Schedule
Capital Projects Fund
For the Year Ended June 30, 2007**

| | Budgeted Amounts | | Actual (GAAP Basis) | Variances Positive (Negative) | |
|--|-------------------|---------------------|---------------------------|----------------------------------|--------------------|
| | Original | Final | | Original to Final | Final to Actual |
| REVENUES: | | | | | |
| Local sources | \$ 20,000 | \$ 75,000 | \$ 83,433 | \$ 55,000 | \$ 8,433 |
| TOTAL REVENUES | <u>20,000</u> | <u>75,000</u> | <u>83,433</u> | <u>55,000</u> | <u>8,433</u> |
| EXPENDITURES: | | | | | |
| Supporting Services: | | | | | |
| Facilities Acquisition | 148,400 | 136,300 | 132,126 | 12,100 | 4,174 |
| Other | - | - | 4,014 | - | (4,014) |
| TOTAL EXPENDITURES | <u>148,400</u> | <u>136,300</u> | <u>136,140</u> | <u>12,100</u> | <u>160</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>(128,400)</u> | <u>(61,300)</u> | <u>(52,707)</u> | <u>67,100</u> | <u>8,593</u> |
| OTHER FINANCING SOURCES | | | | | |
| Operating transfers in | 33,200 | 3,485,458 | 3,479,194 | (3,452,258) | 6,264 |
| Operating transfers out | | | | | |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | <u>(95,200)</u> | <u>3,424,158</u> | <u>3,426,487</u> | <u>(3,519,358)</u> | <u>(2,329)</u> |
| FUND BALANCE, JULY 1 | <u>889,932</u> | <u>891,598</u> | <u>891,598</u> | <u>1,666</u> | <u>-</u> |
| FUND BALANCE, JUNE 30 | <u>\$ 794,732</u> | <u>\$ 4,315,756</u> | <u>\$ 4,318,085</u> | <u>\$ (3,517,692)</u> | <u>\$ (2,329)</u> |

OTHER SUPPLEMENTAL INFORMATION

General Fund
Balance Sheet
June 30, 2007
With Comparative Actual Amounts at June 30, 2006

| | <u>2007</u> | <u>2006</u> |
|--|----------------------------|-----------------------------|
| ASSETS: | | |
| Cash and equivalents | \$ 4,598,630 | \$ 5,008,747 |
| Investments | 1,092,033 | 2,737,657 |
| Accounts receivable | 46,743 | 14,348 |
| Due from other governmental units | 3,569,145 | 3,927,624 |
| Delinquent taxes receivable | 22,323 | 33,539 |
| Prepaid Expense | 100,155 | - |
| Due from other funds | 4,078 | 153 |
| TOTAL ASSETS | <u><u>\$ 9,433,107</u></u> | <u><u>\$ 11,722,068</u></u> |
| LIABILITIES: | | |
| Accounts payable | \$ 301,286 | \$ 212,152 |
| Accrued liabilities | 2,528,683 | 2,557,262 |
| Deferred revenue | 55,203 | 58,954 |
| Due to State of Michigan | 113,746 | 223,590 |
| Due to other funds | 24,886 | 5,653 |
| Other Liabilities | 1,184 | 1,084 |
| TOTAL LIABILITIES | <u><u>3,024,988</u></u> | <u><u>3,058,695</u></u> |
| FUND EQUITY: | | |
| Fund balance: | | |
| Designated for contingencies | 3,000,000 | 3,000,000 |
| Unreserved | 3,408,119 | 5,663,373 |
| TOTAL FUND EQUITY | <u><u>6,408,119</u></u> | <u><u>8,663,373</u></u> |
| TOTAL LIABILITIES AND FUND EQUITY | <u><u>\$ 9,433,107</u></u> | <u><u>\$ 11,722,068</u></u> |

Marquette Area Public Schools
Capital Projects Fund
Balance Sheet
June 30, 2007
With comparative amounts at June 30, 2006

| | <u>2007</u> | <u>2006</u> |
|--|----------------------------|--------------------------|
| Assets: | | |
| Investments | \$ 4,318,085 | \$ 887,829 |
| Due from Other Funds | <u>-</u> | <u>3,769</u> |
| TOTAL ASSETS | <u><u>\$ 4,318,085</u></u> | <u><u>\$ 891,598</u></u> |
| Liabilities: | | |
| Accounts payable | <u>\$ -</u> | <u>\$ -</u> |
| TOTAL LIABILITIES | <u>-</u> | <u>-</u> |
| Fund Equity: | | |
| Fund Balance: | | |
| Reserved for capital projects | <u>4,318,085</u> | <u>891,598</u> |
| TOTAL LIABILITIES AND FUND EQUITY | <u><u>\$ 4,318,085</u></u> | <u><u>\$ 891,598</u></u> |

**Marquette Area Public Schools
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2007**

| | Lunch Fund | Athletic Fund | Debt Service | Total |
|--|-------------------|------------------|-------------------|-------------------|
| ASSETS: | | | | |
| Cash and equivalents | \$ 209,035 | \$ 39,542 | \$ 333,945 | \$ 582,522 |
| Accounts receivable | 3,735 | 2,171 | 2,081 | 7,987 |
| Due from others | 8,120 | - | - | 8,120 |
| Due from other funds | 15 | - | - | 15 |
| Inventories | 5,963 | - | - | 5,963 |
| TOTAL ASSETS | \$ 226,868 | \$ 41,713 | \$ 336,026 | \$ 604,607 |
| LIABILITIES AND FUND BALANCES: | | | | |
| LIABILITIES: | | | | |
| Accounts payable | \$ 2,302 | \$ 3,734 | \$ - | \$ 6,036 |
| Due to other funds | 4,048 | - | - | 4,048 |
| Due to others | - | 33,161 | - | 33,161 |
| Accrued liabilities | 8,359 | 4,818 | - | 13,177 |
| TOTAL LIABILITIES | 14,709 | 41,713 | - | 56,422 |
| FUND BALANCES: | | | | |
| Reserved for: | | | | |
| School lunch | 212,159 | - | - | 212,159 |
| Debt retirement | - | - | 336,026 | 336,026 |
| TOTAL FUND BALANCES | 212,159 | - | 336,026 | 548,185 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 226,868 | \$ 41,713 | \$ 336,026 | \$ 604,607 |

**Marquette Area Public Schools
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2007**

| | School Lunch | Athletic Fund | Debt Retirement | Total |
|---|-------------------|------------------|--------------------|-------------------|
| REVENUES: | | | | |
| Federal sources | \$ 325,234 | \$ - | \$ - | \$ 325,234 |
| State aid | 48,997 | - | - | 48,997 |
| Taxes & penalties | - | - | 1,226,375 | 1,226,375 |
| School lunch activities | 493,873 | - | - | 493,873 |
| Athletic activities | - | 249,100 | - | 249,100 |
| Interest | 11,887 | - | 40,938 | 52,825 |
| Other | 380 | - | 6,746 | 7,126 |
| TOTAL REVENUES | 880,371 | 249,100 | 1,274,059 | 2,403,530 |
| EXPENDITURES: | | | | |
| School lunch activities | 830,744 | - | - | 830,744 |
| Athletic activities | - | 526,359 | - | 526,359 |
| Debt service payments - Principal | - | - | 840,000 | 840,000 |
| Debt service payments - Interest | - | - | 336,294 | 336,294 |
| Other | - | - | 8,568 | 8,568 |
| TOTAL EXPENDITURES | 830,744 | 526,359 | 1,184,862 | 2,541,965 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 49,627 | (277,259) | 89,197 | (138,435) |
| OTHER FINANCING SOURCES (USES): | | | | |
| Operating transfers in | - | 277,259 | - | 277,259 |
| NET CHANGE IN FUND BALANCE | 49,627 | - | 89,197 | 138,824 |
| Fund Balance, July 1 | 162,532 | - | 246,829 | 409,361 |
| FUND BALANCE, JUNE 30 | \$ 212,159 | \$ - | \$ 336,026 | \$ 548,185 |

Marquette Area Public Schools
School Lunch Fund
Statement of Revenues, Expenditures and Changes In Fund Balance - Budget and Actual
For the Year Ended June 30, 2007
With Comparative Actual Amounts for the Year Ended June 30, 2006

| | 2007 | | Variance | |
|--|--------------------|-------------------|----------------------------|-------------------|
| | Budget | Actual | Favorable (Unfavorable) | 2006 |
| REVENUES: | | | | |
| Federal sources | \$ 301,000 | \$ 325,234 | \$ 24,234 | \$ 318,469 |
| State aid | 50,400 | 48,997 | (1,403) | 41,609 |
| School lunch activities | 469,200 | 493,873 | 24,673 | 478,291 |
| Interest | 9,500 | 11,887 | 2,387 | 6,263 |
| Other revenues | 500 | 380 | (120) | 301 |
| TOTAL REVENUES | <u>830,600</u> | <u>880,371</u> | <u>49,771</u> | <u>844,933</u> |
| EXPENDITURES: | | | | |
| School lunch activities: | | | | |
| Professional salaries | 34,664 | 34,664 | - | 31,768 |
| Non professional salaries | 187,437 | 186,205 | 1,232 | 186,537 |
| Insurance | 95,033 | 86,218 | 8,815 | 97,986 |
| FICA, retirement, etc. | 64,682 | 64,246 | 436 | 52,810 |
| Purchased services | 10,500 | 11,897 | (1,397) | 15,985 |
| Supplies and materials | 448,100 | 430,450 | 17,650 | 420,076 |
| Capital outlay | 14,000 | 13,336 | 664 | 34,343 |
| Other | 9,632 | 3,728 | 5,904 | 4,045 |
| TOTAL EXPENDITURES | <u>864,048</u> | <u>830,744</u> | <u>33,304</u> | <u>843,550</u> |
| EXCESS REVENUES OVER (UNDER) EXPENDITURES | <u>\$ (33,448)</u> | <u>49,627</u> | <u>\$ 83,075</u> | <u>1,383</u> |
| FUND BALANCE, JULY 1 | | <u>162,532</u> | | <u>161,149</u> |
| FUND BALANCE, JUNE 30 | | <u>\$ 212,159</u> | | <u>\$ 162,532</u> |

Marquette Area Public Schools
Athletic Fund
Statement of Revenues, Expenditures and Changes In Fund Balance - Budget and Actual
For the Year Ended June 30, 2007
With Comparative Actual Amounts for the Year Ended June 30, 2006

| | 2007 | | Variance Favorable (Unfavorable) | 2006 |
|---|---------------------|------------------|--|------------------|
| | Budget | Actual | | |
| REVENUES: | | | | |
| Athletic activities | \$ 250,395 | \$ 249,100 | \$ (1,295) | \$ 277,342 |
| TOTAL REVENUES | <u>250,395</u> | <u>249,100</u> | <u>(1,295)</u> | <u>277,342</u> |
| EXPENDITURES: | | | | |
| Athletic activities: | | | | |
| Professional salaries | 70,775 | 70,775 | - | 68,204 |
| Non professional salaries | 163,214 | 159,331 | 3,883 | 177,092 |
| Insurance | 16,484 | 16,654 | (170) | 18,549 |
| FICA, retirement, etc. | 55,647 | 56,350 | (703) | 55,673 |
| Purchased services | 93,622 | 98,361 | (4,739) | 66,171 |
| Supplies and materials | 81,728 | 84,941 | (3,213) | 74,937 |
| Capital outlay | 2,130 | - | 2,130 | 39,382 |
| Other | 39,350 | 39,947 | (597) | 53,066 |
| TOTAL EXPENDITURES | <u>522,950</u> | <u>526,359</u> | <u>(3,409)</u> | <u>553,074</u> |
| EXCESS REVENUES OVER (UNDER) EXPENDITURES | <u>\$ (272,555)</u> | <u>(277,259)</u> | <u>\$ 4,704</u> | <u>(275,732)</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Operating transfers in | <u>272,555</u> | <u>277,259</u> | <u>(4,704)</u> | <u>275,732</u> |
| EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| FUND BALANCE, JULY 1 | | <u>-</u> | | <u>-</u> |
| FUND BALANCE, JUNE 30 | | <u>\$ -</u> | | <u>\$ -</u> |

Marquette Area Public Schools
Debt Service Fund
Balance Sheet
June 30, 2007
With comparative amounts at June 30, 2006

| | <u>2007</u> | <u>2006</u> |
|--|--------------------------|--------------------------|
| Assets: | | |
| Cash & Investments | \$ 333,945 | \$ 258,629 |
| Delinquent property taxes | <u>2,081</u> | <u>2,732</u> |
| TOTAL ASSETS | <u><u>\$ 336,026</u></u> | <u><u>\$ 261,361</u></u> |
| Liabilities: | | |
| Due to other governmental units | <u>\$ -</u> | <u>\$ 14,532</u> |
| FUND EQUITY: | | |
| Fund Balance: | | |
| Reserved for debt retirement | <u>336,026</u> | <u>246,829</u> |
| TOTAL LIABILITIES AND FUND EQUITY | <u><u>\$ 336,026</u></u> | <u><u>\$ 261,361</u></u> |

Marquette Area Public Schools
Debt Service Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance-Budget and Actual
For the Year Ended June 30, 2007
With comparative actual amounts for the year ended June 20, 2006

| | 2007 | | | |
|--|------------------|-------------------|--|-------------------|
| | Budget | Actual | Variance Favorable (Unfavorable) | 2006 |
| Revenues: | | | | |
| State aid-restricted | \$ - | \$ - | \$ - | \$ 41,323 |
| Taxes and penalties | 1,226,247 | 1,226,375 | 128 | 1,226,509 |
| Interest | 45,000 | 40,938 | (4,062) | 27,213 |
| Prior period revenue adjustment | - | - | - | (12,859) |
| Other | - | 6,746 | 6,746 | 3,864 |
| TOTAL REVENUES | 1,271,247 | 1,274,059 | 2,812 | 1,286,050 |
| Expenditures: | | | | |
| Debt service-principal payments | 840,000 | 840,000 | - | 853,484 |
| Debt service-interest and agent fees | 336,294 | 336,294 | - | 365,634 |
| Other | 10,250 | 8,568 | 1,682 | 3,887 |
| TOTAL EXPENDITURES | 1,186,544 | 1,184,862 | 1,682 | 1,223,005 |
| EXCESS REVENUES OVER (UNDER) EXPENDITURES | \$ 84,703 | 89,197 | \$ 4,494 | 63,045 |
| FUND BALANCE, JULY 1 | | 246,829 | | 183,784 |
| FUND BALANCE, JUNE 30 | | \$ 336,026 | | \$ 246,829 |

Marquette Area Public Schools
Student Activity Fund
Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2007

| | Balance July 1 | Additions | Deductions | Balance June 30 |
|---|-------------------|---------------------|---------------------|--------------------|
| ASSETS: | | | | |
| Cash and equivalents | \$ 318,971 | \$ 584,134 | \$ 590,058 | \$ 313,047 |
| Accounts receivable | 484 | 3,065 | 484 | 3,065 |
| TOTAL ASSETS | <u>\$ 319,455</u> | <u>\$ 587,199</u> | <u>\$ 590,542</u> | <u>\$ 316,112</u> |
| LIABILITIES: | | | | |
| Due to other funds | \$ 80 | \$ 44 | \$ 80 | \$ 44 |
| Accounts payable | 3,191 | 576,060 | 570,990 | 8,261 |
| Due to other governmental units | 112 | 4,680 | 4,409 | 383 |
| Due to groups, organizations and activities | 316,072 | 628,761 | 637,409 | 307,424 |
| TOTAL LIABILITIES | <u>\$ 319,455</u> | <u>\$ 1,209,545</u> | <u>\$ 1,212,888</u> | <u>\$ 316,112</u> |

**Marquette Area Public Schools
Student Activity Agency Fund
Statement of Receipts, Disbursements and Transfers
For the Year Ended June 30, 2007**

| | Balance June 30, 2006 | Receipts | Disbursements | Balance June 30, 2007 |
|-------------------------------------|--------------------------|----------|---------------|--------------------------|
| ABC Conference | \$ 210 | \$ - | \$ - | \$ 210 |
| Academic Extracurricular | - | 91 | - | 91 |
| Advanced Placement | 4,304 | 20,514 | 19,824 | 4,994 |
| Athletics | 311 | 449 | 334 | 426 |
| Auto Shop | - | 1,000 | - | 1,000 |
| Band Fund | 2,462 | 10,079 | 8,590 | 3,951 |
| Band Fund-Bothwell | 4,867 | 5,701 | 6,963 | 3,605 |
| Bay Cliff - 5th Grade | 2,160 | 15,768 | 15,802 | 2,126 |
| Big Foot Snowshoe | 159 | - | - | 159 |
| BPA | 6,310 | 1,945 | 484 | 7,771 |
| Board Flower fund | 87 | - | - | 87 |
| Board Flower fund | - | 210 | 210 | - |
| Bothwell Extracurricular Activities | 3,149 | 1,628 | 2,672 | 2,105 |
| Bothwell Junior Honor Society | 1,234 | 330 | 400 | 1,164 |
| Bothwell School Camp | 38,213 | 48,005 | 67,701 | 18,517 |
| Bothwell Sports | 5,345 | 13,655 | 17,584 | 1,416 |
| Bothwell Student Benevolence | 596 | 70 | 100 | 566 |
| Bus Garage | 559 | 368 | 575 | 352 |
| Carnegie Hall | 3 | - | - | 3 |
| Cheer Club | - | 610 | 575 | 35 |
| Choral Fund | 132 | 124,759 | 109,638 | 15,253 |
| Choral Fund | 904 | 1,087 | 1,826 | 165 |
| Class of 1991 | 472 | - | - | 472 |
| Class of 1995 | 260 | - | - | 260 |
| Class of 1996 | 1,400 | 130 | - | 1,530 |
| Class of 1998 | 1,186 | 111 | - | 1,297 |
| Class of 1999 | 4,134 | 385 | - | 4,519 |
| Class of 2000 | 144 | 13 | - | 157 |
| Class of 2001 | 500 | - | - | 500 |
| Class of 2002 | 5 | - | - | 5 |
| Class of 2003 | 1,209 | 7,685 | 7,200 | 1,694 |
| Class of 2004 | 1,218 | 179 | - | 1,397 |
| Class of 2005 | 45 | 398 | - | 443 |
| Class of 2006 | 3,750 | 219 | - | 3,969 |
| Class of 2007 | 5,484 | 9,788 | 13,764 | 1,508 |
| Class of 2008 | 968 | 16,520 | 14,166 | 3,322 |
| Class of 2009 | 580 | 799 | 720 | 659 |
| Class of 2010 | - | 1,319 | 575 | 744 |
| CEU-SB | 346 | - | - | 346 |
| Drama Fund | 7,111 | 1,379 | 1,000 | 7,490 |
| Expanding Possibilities | 6,530 | 7,697 | 2,003 | 12,224 |
| Forensic Club | - | 8,822 | 8,822 | - |
| France Transportation | - | 12,710 | 12,687 | 23 |
| French Club | 637 | 32,844 | 33,481 | - |
| Friends of Kaufman | 3,825 | 356 | - | 4,181 |
| Functional Skills Feliz | 356 | 405 | 761 | - |
| Functional Skills Cotter | 471 | - | 6 | 465 |
| German Account | 221 | - | - | 221 |
| Giving Tree | 50 | 753 | 594 | 209 |

**Marquette Area Public Schools
Student Activity Agency Fund
Statement of Receipts, Disbursements and Transfers
For the Year Ended June 30, 2007**

| | Balance June 30, 2006 | Receipts | Disbursements | Balance June 30, 2007 |
|---------------------------------|--------------------------|----------|---------------|--------------------------|
| Great Lakes Conference | \$ 800 | \$ 750 | \$ 1,550 | \$ - |
| Guidance Special Needs | 372 | - | 276 | 96 |
| Health Occupation | 1,626 | 4,626 | 4,597 | 1,655 |
| High School Bowl | 228 | - | - | 228 |
| High School Office Vending | 211 | 816 | 357 | 670 |
| Industrial Arts | 553 | 65 | - | 618 |
| Interact High School | 64 | - | - | 64 |
| Interest | 60,877 | 28,524 | 64,201 | 25,200 |
| Intramural Basketball | 800 | 1,515 | 1,600 | 715 |
| Jazz Club | 85 | 800 | 810 | 75 |
| K-12 Music | 8,700 | 1,693 | 386 | 10,007 |
| Kaufman Incentive | 2,019 | 2,257 | 500 | 3,776 |
| Kaufman Incentive | 5,255 | 4,369 | 3,435 | 6,189 |
| Kaufman Lyceum | 2,048 | 8,374 | 2,000 | 8,422 |
| Kids for Change | 396 | 194 | 348 | 242 |
| Library Club | 1,091 | 2,067 | 2,615 | 543 |
| Library Club | 307 | 167 | 227 | 247 |
| Life Skills | 409 | - | - | 409 |
| Locks PE & Athletics | 111 | 125 | - | 236 |
| Lounge Fund-High School | 249 | - | - | 249 |
| Lounge Fund-Bothwell | 1,498 | 583 | 393 | 1,688 |
| Lyceum | - | 10,000 | - | 10,000 |
| Metals | - | 1,855 | 795 | 1,060 |
| MSHS Ink | 573 | 93 | - | 666 |
| Miscellaneous | 858 | - | - | 858 |
| MSHS Orchestra | 8,318 | 111,239 | 119,557 | - |
| MSHS Sunshine Committee | 426 | 280 | 211 | 495 |
| Musical Fund | 4,757 | 11,792 | 13,486 | 3,063 |
| National Honor Society | 8,699 | 1,546 | 143 | 10,102 |
| Observer | 585 | 175 | 208 | 552 |
| Office | 7,149 | 3,370 | 2,142 | 8,377 |
| OM Support | 375 | - | - | 375 |
| Parent Training-Sandy Knoll | 310 | - | - | 310 |
| Peer Mentoring Program | 371 | - | - | 371 |
| Photography Club | 1,380 | 101 | - | 1,481 |
| Pre-Voc | 26 | - | - | 26 |
| PTSO Mini-Grant | - | 250 | 250 | - |
| Records Account-MSHS | 11,172 | 3,038 | 417 | 13,793 |
| Recreation-Field Trips-Alt. Ed. | 261 | 2,630 | 1,969 | 922 |
| Renaissance | 4,470 | 4,688 | 5,383 | 3,775 |
| Rotary | 41 | - | - | 41 |
| SADD | 5 | - | - | 5 |
| Scholarship Fund - Bothwell | 2,849 | 128 | - | 2,977 |
| Science Olympiad | 242 | - | - | 242 |
| Space Shuttle | - | 500 | - | 500 |
| Spanish Club | 74 | 1,191 | 1,257 | 8 |
| Spec Ed Assistive Tech | 2,065 | 192 | - | 2,257 |
| SSR Reading | 640 | - | - | 640 |
| Stadium Project | 62 | - | - | 62 |
| Student Council-MSHS | 13,337 | 8,727 | 4,588 | 17,476 |

**Marquette Area Public Schools
Student Activity Agency Fund
Statement of Receipts, Disbursements and Transfers
For the Year Ended June 30, 2007**

| | Balance June 30, 2006 | Receipts | Disbursements | Balance June 30, 2007 |
|---------------------------------|--------------------------|-------------------|-------------------|--------------------------|
| Student Council-Bothwell | 1,173 | 3,592 | 3,585 | 1,180 |
| Student Activity-Gravereat MS | \$ 234 | \$ - | \$ - | \$ 234 |
| Student Activity-Vandenboom | 30 | - | - | 30 |
| Student Activity-Bothwell | 42 | - | - | 42 |
| Student Activity-Cherry Creek | 260 | - | - | 260 |
| Student Activity 5th Grade | 119 | - | - | 119 |
| Student Activity BMS | - | 440 | 412 | 28 |
| Student Activity BMS | 51 | 223 | 140 | 134 |
| Student Activity 8th Grade | 770 | 1,779 | 1,863 | 686 |
| Student Activity-At Risk | 427 | - | - | 427 |
| Student Activity-Superior Hills | 343 | - | - | 343 |
| Student Welfare Fund | 6,775 | 631 | - | 7,406 |
| Tatler | 29,557 | 39,778 | 33,021 | 36,314 |
| Teen Leadership | 55 | - | - | 55 |
| Therapeutic Swimming Program | 1,389 | 708 | 1,701 | 396 |
| UP Dyslexia Outreach | 2,032 | 189 | - | 2,221 |
| UP Reading Association | 760 | - | - | 760 |
| Yearbook | 1,734 | 10,478 | 10,550 | 1,662 |
| Yearbook | 20 | - | - | 20 |
| Video Club | 1,650 | 2,029 | 3,379 | 300 |
| Woods | - | 1,000 | - | 1,000 |
| Wrestling Club | - | 413 | - | 413 |
| Total | <u>\$ 316,072</u> | <u>\$ 628,761</u> | <u>\$ 637,409</u> | <u>\$ 307,424</u> |

COMPLIANCE SECTION



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE

WISCONSIN
GREEN BAY
MILWAUKEE

Board of Education
Marquette Area Public Schools
Marquette, Michigan 49855

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Marquette Area Public Schools as of and for the year ended June 30, 2007, which collectively comprise the Marquette Area Public Schools basic financial statements and have issued our report thereon dated September 12, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Marquette Area Public Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Marquette Area Public Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Marquette Area Public Schools' internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Marquette Area Public Schools' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Marquette Area Public Schools' financial statements that is more than inconsequential will not be prevented or detected by Marquette Area Public Schools' internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Marquette Area Public Schools' internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Marquette Area Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*.

Board of Education
Marquette Area Public Schools

This report is intended solely for the information and use of the audit committee, management, and Board of Education, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Jackman & Company, PLLC
Certified Public Accountants

September 12, 2007



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE

WISCONSIN
GREEN BAY
MILWAUKEE

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Education
Marquette Area Public Schools
Marquette, Michigan 49855

Compliance

We have audited the compliance of Marquette Area Public Schools with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Marquette Area Public Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Marquette Area Public Schools' management. Our responsibility is to express an opinion on Marquette Area Public Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Marquette Area Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Marquette Area Public Schools' compliance with those requirements.

In our opinion, Marquette Area Public Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Marquette Area Public Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Marquette Area Public Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Marquette Area Public Schools' internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely

affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board, management, others within the entity, state and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

September 12, 2007

MARQUETTE AREA PUBLIC SCHOOLS
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

| Federal CFDA Number | Federal Grantor Pass Through Grantor Program Title Grant Number | Approved Grant Award Amount | (Memo Only) Prior Year Expenditure | Accrued (Deferred) Revenue July 1, 2006 | Current Year Expenditures | Current Year Cash Receipts | Accrued (Deferred) Revenue June 30, 2007 |
|---------------------------|---|-----------------------------------|--|--|---------------------------------|----------------------------------|---|
| | | | | | | | |
| 84.060 | E-S060A020067 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 84.060 | B-060A050067 | 45,196 | 45,196 | 13,892 | - | 13,892 | - |
| 84.060 | E-S060A040067 | 45,853 | - | - | 46,853 | 41,267 | 5,586 |
| TOTAL DIRECT | | 91,049 | 45,196 | 13,892 | 46,853 | 55,159 | 5,586 |
| 84.010 | | 43,171 | 43,171 | 10,183 | - | 10,183 | - |
| 84.010 | | 379,861 | 371,412 | 78,454 | 8,449 | 86,903 | - |
| 84.010 | | 27,673 | - | - | 27,673 | 27,673 | - |
| 84.010 | | 365,560 | - | - | 332,443 | 279,652 | 52,791 |
| 84.010 | | 415,623 | 6,984 | - | - | - | - |
| TOTAL | | 1,231,888 | 421,567 | 88,637 | 368,565 | 404,411 | 52,791 |
| 84.367 | | 27,964 | 27,964 | 12,433 | - | 12,433 | - |
| 84.367 | | 172,358 | 152,570 | 36,972 | 19,788 | 56,760 | - |
| 84.367 | | 20,987 | - | - | 20,987 | 12,339 | 8,648 |
| 84.367 | | 192,406 | - | - | 142,789 | 115,819 | 26,970 |
| 84.367 | | - | - | - | - | - | - |
| 84.027A | | 4,073 | 3,172 | 3,172 | 901 | 4,073 | - |
| 84.298 | | - | - | - | - | - | - |

U.S. Department of Education:

Direct Program:

P.L. 92-318 Indian Education, Title VII, Part A:

E-S060A020067

B-060A050067

E-S060A040067

Passed through Mich. Department of Education:

ECIA Title I:

051530 0506

061503 0506

061530 0607

071530 0607

051530 0405

ECIA Title IIA:

050520 0506

060520 0506

060520 0607

070520 0607

Handicapped Preschool & School Program

060440 /SPSR

ECIA Title VA:

020250 0102

| Federal CFDA Number | Federal Grantor Pass Through Grantor Program Title Grant Number | Approved Grant Award Amount | (Memo Only) Prior Year Expenditure | (Deferred) Revenue July 1, 2006 | Current Year Expenditures | Current Year Cash Receipts | (Deferred) Revenue June 30, 2007 |
|---------------------------|---|-----------------------------------|--|---------------------------------------|---------------------------------|----------------------------------|--|
| | | | | | | | |
| 84.318 | ECIA Title IID: 064290 0506 | \$ 7,494 | \$ 7,494 | \$ 3,438 | \$ - | \$ 3,438 | \$ - |
| 84.318 | 064290 0607 | 3,753 | - | - | 3,753 | - | 3,753 |
| 84.318 | 064290 0607 | 109 | - | - | 109 | - | 109 |
| 84.298 | ECIA Title V: 060250 0506 | 1,471 | 1,448 | 127 | 23 | 150 | - |
| 84.298 | 060250 0607 | 106 | - | - | 106 | - | 106 |
| 84.298 | 070250 0607 | 771 | - | - | 771 | - | 771 |
| TOTAL | | 431,492 | 192,648 | 56,142 | 189,227 | 205,012 | 40,357 |
| TOTAL PASSED THROUGH MDE | | 1,663,380 | 614,215 | 144,779 | 557,792 | 609,423 | 93,148 |

| | | | | | | | |
|--|---|---------|---------|--------|---------|---------|--------|
| Passed Through Marquette-Alger Regional Educational Services Agency (MARESA): | | | | | | | |
| 84.186 | Safe & Drug Free Schools 072860 0607 | 4,980 | - | - | 4,980 | - | 4,980 |
| 84.186 | Safe & Drug Free Schools 062860 0506 | 8,522 | 8,522 | - | - | - | - |
| 84.186 | Safe & Drug Free Schools 052860 0405 | - | - | - | - | - | - |
| TOTAL | | 13,502 | 8,522 | - | 4,980 | - | 4,980 |
| 84.027 | P.L. 94-192 Flow Through - #060450 0506 | 154,109 | 154,109 | 37,458 | - | 37,458 | - |
| 84.027 | P.L. 94-192 Flow Through - #070450 0607 | 152,089 | - | - | 143,691 | 73,427 | 70,264 |
| TOTAL | | 306,198 | 154,109 | 37,458 | 143,691 | 110,885 | 70,264 |
| 84.276 | Goals 2000 | - | - | - | - | - | - |
| TOTAL | | - | - | - | - | - | - |
| 84.318 | Title II-D | 810 | - | - | 72 | 72 | - |
| 84.173 | Preschool #050460-0405 | 1,000 | 1,000 | - | - | - | - |
| 84.173 | Preschool #060460-0506 | 1,000 | - | - | 1,000 | 1,000 | - |
| 84.027 | Autism (UP CARES) #060490-3D51 | 144 | 144 | - | - | - | - |
| 84.027 | Autism (UP CARES) #050490-1D20 | - | - | - | - | - | - |
| TOTAL | | 2,954 | 1,144 | - | 1,072 | 1,072 | - |

| Federal Grantor Pass Through Grantor Program Title Grant Number | Federal CFDA Number | Approved Grant Award Amount | (Memo Only) Prior Year Expenditure | (Deferred) Revenue July 1, 2006 | Current Year Expenditures | Current Year Cash Receipts | (Deferred) Revenue June 30, 2007 |
|---|---------------------------|-----------------------------------|--|---------------------------------------|---------------------------------|----------------------------------|--|
| Abstinence Partnership | 92.235 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Abstinence Partnership | 92.235 | - | - | - | - | - | - |
| TOTAL | | - | - | - | - | - | - |
| Perkins - 05-06 6012-02 | 84.048 | 20,474 | 20,474 | - | - | - | - |
| Perkins - 06-07 7012-02 | 84.048 | 20,275 | - | - | 20,275 | 17,647 | 2,628 |
| TOTAL | | 40,749 | 20,474 | - | 20,275 | 17,647 | 2,628 |
| LEA Medicaid FFS-Transportation | 93.778 | 3,090 | 6,586 | - | 3,090 | 3,090 | - |
| TOTAL | | 3,090 | 6,586 | - | 3,090 | 3,090 | - |
| TOTAL PASSED THROUGH MARESA | | 366,493 | 190,835 | 37,458 | 173,108 | 132,694 | 77,872 |
| TOTAL U.S. DEPARTMENT OF EDUCATION | | 2,120,922 | 850,246 | 196,129 | 777,753 | 797,276 | 176,606 |
| Passed through Michigan State Police: | | | | | | | |
| Homeland Security Grant Program Part II-School Initiative | 97.004 | 11,722 | 9,904 | - | - | - | - |
| TOTAL | | 11,722 | 9,904 | - | - | - | - |
| TOTAL PASSED THROUGH MICHIGAN STATE POLICE | | 11,722 | 9,904 | - | - | - | - |
| U.S. Department of Agriculture: | | | | | | | |
| Nutrition Cluster: | | | | | | | |
| Passed through MDE: | | | | | | | |
| National School Lunch Program: | | | | | | | |
| Section 4 -Total Serving 1957 & 1958 | 10.555 | 63,950 | 63,146 | - | 63,950 | 63,950 | - |
| Section 11 - Free and Reduced 1967 & 1968 | 10.555 | 197,257 | 185,969 | 40,584 | 197,257 | 237,841 | - |
| TOTAL | | 261,207 | 249,115 | 40,584 | 261,207 | 301,791 | - |
| National School Breakfast Program: | | | | | | | |
| Breakfast 1977 & 1978 | 10.553 | 30,120 | 20,946 | - | 30,120 | 30,120 | - |
| TOTAL | | 30,120 | 20,946 | - | 30,120 | 30,120 | - |
| Total Nutrition Cluster | | 291,327 | 270,061 | 40,584 | 291,327 | 331,911 | - |

| Federal Grantor Pass Through Grantor Program Title Grant Number | Federal CFDA Number | Approved Grant Award Amount | (Memo Only) Prior Year Expenditure | (Deferred) Revenue July 1, 2006 | Current Year Expenditures | Current Year Cash Receipts | (Deferred) Revenue June 30, 2007 |
|---|---------------------------|-----------------------------------|--|---------------------------------------|---------------------------------|----------------------------------|--|
| | | | | | | | |
| Food Distribution: Entitlement Commodities Bonus Commodities | 10.550 | \$ 33,730 | \$ 41,737 | \$ - | \$ 33,730 | \$ 33,730 | \$ - |
| | 10.550 | 177 | 3,718 | - | 177 | 177 | - |
| | TOTAL | 33,907 | 45,455 | - | 33,907 | 33,907 | - |
| TOTAL U.S. DEPARTMENT OF AGRICULTURE | | 325,234 | 315,516 | 40,584 | 325,234 | 365,818 | - |
| TOTAL FEDERAL FINANCIAL ASSISTANCE | | \$ 2,457,878 | \$ 1,175,666 | \$ 236,713 | \$ 1,102,987 | \$ 1,163,094 | \$ 176,606 |

MARQUETTE AREA PUBLIC SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2007

NOTE A – OVERSIGHT AGENCY:

The U.S. Department of Education is the current year's oversight agency for the single audit as determined by the agency providing the largest share of the School District's federal awards.

NOTE B – BASIS OF ACCOUNTING:

The Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting.

NOTE C – STATE GRANTS:

The following state grants were reported on Form R7120, Grants Section Auditors Report for the year ending June 30, 2007 and are not included on the Schedule of Federal Awards.

| Description | Project Number | State |
|------------------|----------------|----------------|
| School Breakfast | 066320M-24 | <u>\$8,406</u> |

NOTE D – FINAL COST REPORT - FORM DS4044:

The final cost reports are not due until 60 days after the end of the grant period. The reports for the current year were not completed as of the date of our report. However, we reviewed the reports filed for the prior year grants and noted that they agreed with either the prior year audited figures or the prior year and current year audit figures combined.

NOTE E – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS RECONCILIATION:

The amounts reported as current payments on the R7120, Grant Section Auditors Report, reconcile with the Schedule of Expenditures of Federal Awards as follows:

| | | |
|--|-----------|--------------------|
| Current payments per R7120 | | \$909,157 |
| Add - payments not on R7120: | | |
| Direct programs | \$46,853 | |
| Passed through other Districts/Others | 173,108 | |
| Bonus and entitlement commodities | 33,907 | 253,868 |
| | | <hr/> |
| Less – deferred revenue at the beginning of year – MDE | (144,779) | |
| Add – deferred revenue at the end of year – MDE | 93,148 | (51,631) |
| | | <hr/> |
| Less – State Grants reported on R7120: | | |
| School Breakfast | | (8,406) |
| Less – rounding | | (1) |
| | | <hr/> |
| PER THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS | | <u>\$1,102,987</u> |

NOTE E – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS RECONCILIATION (Continued):

A reconciliation of expenditures on the Schedule of Federal Awards to federal revenue is as follows:

| | |
|---|--------------------|
| Total Federal Revenue Sources Reported in the Financial Statements | \$1,102,654 |
| Less: | |
| Rounding | (1) |
| Other – Non Federal Program | 334 |
| TOTAL FEDERAL AWARDS EXPENDITURES REPORTED IN THE SCHEDULE OF FEDERAL AWARDS | <u>\$1,102,987</u> |

MARQUETTE AREA PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year June 30, 2007

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the general purpose financial statements of Marquette Area Public Schools.
2. There were no reportable conditions disclosed during the audit of the financial statements.
3. There were no instances of noncompliance material to the financial statements of Marquette Area Public Schools disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs is reported in this schedule.
5. The auditors' report on compliance for the major federal award programs for Marquette Area Public Schools expresses an unqualified opinion.
6. No audit findings relative to the major federal award program for Marquette Area Public Schools were disclosed during the audit.
7. The programs tested as major programs were:

| | |
|--------------|--------------|
| ECIA Title I | CFDA# 84.010 |
|--------------|--------------|
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Marquette Area Public Schools was determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

NONE

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAMS AUDIT

NONE

MARQUETTE AREA PUBLIC SCHOOLS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the year June 30, 2007

There were no findings and questioned costs for
Major federal awards in the prior year.